THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000, as amended ("FSMA"), if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

If you have sold or otherwise transferred all your Ordinary Shares in Hochschild Mining PLC (the "**Company**"), please send this document as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee. However, such documents should not be distributed, forwarded or transmitted into any jurisdiction if to do so would constitute a violation of the relevant law and regulations in such other jurisdiction. If you have sold or otherwise transferred only part of your holding of Ordinary Shares in the Company, you should retain these documents and consult the bank, stockbroker or other agent through which the sale or transfer was effected.

Hochschild Mining PLC

(*Incorporated in England and Wales*
with company number 05777693)

Proposed Demerger of Aclara Resources Inc. from Hochschild Mining PLC

and

Notice of Extraordinary General Meeting

This document should be read as a whole. Your attention is drawn to the letter from the Chairman of the Company which is set out on pages 6 to 13 of this document.

Notice of an Extraordinary General Meeting of the Company to be held at the offices of Skadden, Arps, Slate, Meagher & Flom (UK) LLP, 21st Floor, 40 Bank Street, London E14 5DS at 10:00 a.m. on Friday 5 November 2021 is set out at the end of this document. Details of the actions you are recommended to take are set out on pages 12 to 13 of this document. Whether or not you plan to attend the Extraordinary General Meeting, please appoint a proxy in accordance with the instructions enclosed in this Circular as soon as possible, but in any event such that your proxy is received by the Company's registrars, Link Group, at 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL as soon as possible and, in any event, by no later than 10:00 a.m. on Wednesday 3 November 2021 (or, in the case of any adjournment of the Extraordinary General Meeting, not later than 48 hours before the time fixed for the holding of the adjourned meeting). You may submit your proxy online at www.signalshares.com provided that your proxy is lodged by no later than 10:00 a.m. on Wednesday 3 November 2021 (or, in the case of any adjournment of the Extraordinary General Meeting, not later than 48 hours before the time fixed for the holding of the adjourned meeting). CREST members may also appoint a proxy by completing and transmitting a CREST Proxy Instruction in accordance with the procedures set out in the CREST Manual ensuring that it is received by Link Group (ID: RA10) by no later than 10:00 a.m. on Wednesday 3 November 2021 (or, in the case of any adjournment of the Extraordinary General Meeting, not later than 48 hours before the time fixed for the holding of the adjourned meeting). Appointing a proxy online or using the CREST electronic proxy appointment service will not prevent you from attending, speaking and voting at the Extraordinary General Meeting, or any adjournment thereof, in person should you wish to do so.

The whole of this document should be read and, in particular, your attention is drawn to the letter from the Chairman of the Company. **Shareholders should make their own investigations in relation to the Resolution and the Demerger referred to in this document. Nothing in this document constitutes legal, tax, financial or other advice, and, if they are in any doubt about the contents of this document, Shareholders should consult their own professional advisers.**

No person has been authorised to give any information or make any representation other than those contained in this document and, if given or made, such information or representation must not be relied on as having been so authorised. The delivery of this document shall not, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this document or that the information in it is correct as at any subsequent time.

RBC Capital Markets ("**RBC**"), which is authorised by the Prudential Regulation Authority (the "**PRA**") and regulated by the Financial Conduct Authority (the "**FCA**") in the United Kingdom, is acting solely for the Company in relation to the matters set out or referred to in this document (the "**Transaction**") and nobody else and will not regard any other person (whether or not a recipient of this document) as their client and will not be responsible to anyone other than the Company for providing the protections afforded to clients of RBC nor for providing advice in relation to the Transaction or any arrangement or matter referred to herein. RBC does not accept any responsibility whatsoever or make any representation or warranty, express or implied, concerning the contents of this document, including its accuracy, completeness or verification, or concerning any other statement made or purported to be made by it, or on its behalf, in connection with the Company or the Transaction and nothing in this document is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or future. RBC accordingly disclaims, to the fullest extent permitted by law, all and any responsibility and liability whether arising in tort, contract or otherwise (save as referred to herein) which it might otherwise have in respect of this document or any such statement.

IMPORTANT NOTICE

Cautionary note regarding forward-looking statements

Certain statements contained in this document that are not historical fact are "forward-looking" statements. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond the Company's control and all of which are based on the Company's current beliefs and expectations about future events. Forward-looking statements are typically identified by the use of forward-looking terminology such as "believes", "expects", "may", "will", "could", "should", "intends", "estimates", "plans", "assumes" or "anticipates" or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy that involve risks and uncertainties. In addition, from time to time, the Company or its representatives have made or may make forward-looking statements orally or in writing. Furthermore, such forward-looking statements may be included in, but are not limited to, press releases or oral statements made by or with the approval of an authorised executive officer of the Company.

These forward-looking statements, and other statements contained in this document regarding matters that are not historical facts, involve predictions. No assurance can be given that such future results will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing the Company and its subsidiaries. Such risks and uncertainties could cause actual results to vary materially from the future results indicated, expressed or implied in such forward-looking statements. The forward-looking statements contained in this document speak only as of the date of this document. The Company does not undertake any obligation publicly to update or revise any forward-looking statement as a result of new information, future events or other information, although such forward-looking statements will be publicly updated if required by law or regulation.

Notice to overseas persons

The distribution of this document in certain jurisdictions may be restricted by law and, therefore, persons into whose possession this document comes should inform themselves and observe any such restrictions in relation to the Ordinary Shares, the Aclara Shares and this document, including those in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. No action has been taken or will be taken in any jurisdiction that would permit possession or distribution of this document in any country or jurisdiction where action for that purpose is required. Accordingly, this document may not be distributed or published in any jurisdiction where to do so would breach any securities laws or regulations of any such jurisdiction or give rise to an obligation to obtain any consent, approval or permission, or to make any application, filing or registration. Failure to comply with these restrictions may constitute a violation of the securities laws or regulations of such jurisdictions. This document does not constitute an offer to sell, subscribe or purchaser or the solicitation of an offer to sell, subscribe for or purchase any Ordinary Shares, any Aclara Shares or any other securities in any jurisdiction. The Aclara Shares have not been and will not be registered under the applicable securities law of Japan, Australia or the Republic of South Africa and, subject certain limited exceptions, may not be offered for sale or sold, directly or indirectly, in or into Japan, Australia or the Republic of South Africa. Prior to completion of the Demerger, Aclara intends to file a long form prospectus with the securities regulatory authorities in each of the provinces and territories of Canada (excluding Quebec) in order to qualify the distribution of the Aclara Shares issuable pursuant to the Demerger such that, following completion of the Demerger, all of the Aclara Shares issuable pursuant to the Demerger shall be freely tradeable in Canada and over the facilities of the Toronto Stock Exchange under applicable Canadian securities laws. The Aclara Shares have not been and will not be registered under the US Securities Act of 1933, as amended (the "**Securities Act**"), or under the securities laws of any state or other jurisdiction of the United States and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. None of the US Securities and Exchange Commission, any other US federal or state securities commission or any US regulatory authority has approved or disapproved of the Aclara Shares nor have such authorities passed upon or endorsed the merits of the Aclara Shares or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

Notice to persons in Switzerland

This document is not an offer or solicitation to purchase or invest in any securities of the Company or Aclara. It is not a prospectus within the meaning of the Swiss Financial Services Act ("**FinSA**"), or within the meaning of any securities laws or regulations of Switzerland. Neither this document nor any other offering or marketing material relating to the Ordinary Shares or the Aclara Shares has been or will be filed with or approved by any Swiss regulatory authority.

Presentation of financial information

Certain data in this document, including financial, statistical and operational information, has been rounded. As a result of the rounding, the totals of data presented in this document may vary slightly from the actual arithmetical totals of such data. Percentages in tables have been rounded and, accordingly, may not add up to 100%. In this document, references to "**pounds sterling**", "**£**", "**pence**" and "**p**" are to the lawful currency of the United Kingdom. References to "**$**", "**US$**" or "**USD**" are to the lawful currency of the United States.

Interpretation

Certain terms used in this document are defined and certain technical and other terms used in this document are explained in Part III of this document titled "**Definitions**".

All times referred to in this document are, unless otherwise stated, references to London time.

All references to legislation in this document are to the legislation of England, unless the contrary is indicated. Any reference to any provision of any legislation or regulation shall include any amendment, modification, re-enactment or extension thereof.

Words importing the singular shall include the plural and vice-versa, and wordings importing the masculine gender shall include the feminine or neutral gender.

General

The contents of this document are not to be construed as legal, financial or tax advice. Recipients of this document should consult their own lawyer, financial adviser or tax adviser for legal, financial or tax advice, as appropriate.

Contents

EXPECTED TIMETABLE OF PRINCIPAL EVENTS[1][2]

The table below sets out the timetable for the principal events related to the Demerger and Listing. Certain dates and times are dependent on the timetable for the Aclara IPO and for Listing and are indicative only. The Company will give notice of the relevant times and dates (once known) through a Regulatory Information Service.[3]

	Time and Date
Publication and posting of this Circular and the Notice of Extraordinary General Meeting	Tuesday 19 October 2021
Latest time and date for receipt of proxy appointments and CREST Proxy Instructions from Shareholders in respect of the Extraordinary General Meeting	10:00 a.m. on Wednesday 3 November 2021
Extraordinary General Meeting	10:00 a.m. on Friday 5 November 2021
Record Time for determining entitlement to the Demerger Dividend	A date before D[4]
Demerger Dividend of Demerged Aclara Shares	Shortly prior to Listing on D[5]
Listing of, and commencement of dealings in, Aclara Shares	A date ("**D**") expected to be before the end of 2021[6]
Despatch of direct registration advices in respect of Demerged Aclara Shares	Following Listing on D[7]

1 All references in this document to times are to London time unless otherwise stated.

2 The timetable may be subject to change. If any of the times and/or dates in the timetable should change, the new times and/or dates will be announced to Shareholders through a Regulatory Information Service.

3 The Demerger and Demerger Dividend are subject to certain conditions (as described further in Part I and Part II of this document). Therefore the events below will only occur if such conditions are met.

4 Expected to be 6:30 p.m. on the date that is two Business Days prior to 'D'.

5 A time expected to be shortly prior to Listing on 'D'.

6 A time to be confirmed on a date that is expected to be before the end of 2021.

7 A time expected to be one Business Day following Listing on 'D'. Only Shareholders who hold their shares in uncertificated form will receive direct registration advices.

DIRECTORS, COMPANY SECRETARY AND ADVISERS

Directors:

Eduardo Hochschild (Chairman)
Ignacio Bustamante (Chief Executive Officer)
Michael Rawlinson (Senior Independent Director)
Dr Graham Birch (Independent Non-Executive Director)
Jorge Born Jr. (Independent Non-Executive Director)
Jill Gardiner (Independent Non-Executive Director)
Eileen Kamerick (Independent Non-Executive Director)
Sanjay Sarma (Independent Non-Executive Director)
Dionisio Romero Paoletti (Non-Executive Director)

Company Secretary:

Raj Bhasin

Financial Adviser:

RBC Capital Markets
Thames Court
One Queenhithe
London EC4V 3DQ
United Kingdom

Solicitors:

Skadden, Arps, Slate, Meagher & Flom (UK) LLP
40 Bank Street
London E14 5DS
United Kingdom

Registrars:

Link Group
10th Floor
Central Square
29 Wellington Street
Leeds LS1 4DL
United Kingdom

Aclara Transfer Agent:

Computershare Investor Services Inc.
800, 324 - 8 Avenue SW
Calgary, Alberta T2P 2Z2
Canada

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Eileen Kamerick (Independent Non-Executive Director)
Sanjay Sarma (Independent Non-Executive Director)
Dionisio Romero Paoletti (Non-Executive Director)

Registered Office:
17 Cavendish Square
London W1G 0PH
United Kingdom

19 October 2021

Dear Shareholder,

Demerger and Notice of Extraordinary General Meeting

1. Introduction

In October 2019, the Company (via a subsidiary) acquired 100% of the Aclara ionic clay rare earth deposit in Chile (formerly known as Biolantánidos) (the "**Aclara Project**"). At the time of the acquisition, the Company considered that the acquisition of the Aclara Project represented an opportunity for Hochschild to acquire a unique rare earth deposit whilst maintaining its focus on its core precious metal strategy.

The Board has today announced its intention to demerge shares representing 80% of the entire issued share capital of Aclara Resources Inc. ("**Aclara**"), its indirect wholly owned subsidiary and the holder of the Aclara Project, from the Group and to seek the listing of the Aclara Shares on the Toronto Stock Exchange. Immediately following the Demerger, HM Holdings (a wholly-owned subsidiary of the Company) will retain Aclara Shares representing 20% of the Aclara Shares.

In connection with the Demerger, Aclara intends to conduct a concurrent initial public offering ("**IPO**") on the Toronto Stock Exchange of the Aclara Shares to raise additional funds to advance the exploration and development of the Penco Module (as defined below), the exploration of potential new modules and for working capital and general corporate purposes (the "**Aclara IPO**").

Aclara has applied to have the Aclara Shares listed on the Toronto Stock Exchange. Listing is subject to the approval of the Toronto Stock Exchange in accordance with its original listing requirements. The Toronto Stock Exchange has not conditionally approved Aclara's listing application and there is no assurance that the Toronto Stock Exchange will approve the listing application.

Assuming the conditions to the Demerger referred to in paragraphs 3.2 are satisfied, the Demerger will be effected by the Company distributing the Demerged Aclara Shares to Shareholders by way of a distribution *in specie* (the "**Demerger Dividend**"). Although, as at the date of this document, the process relating to the Aclara IPO and Listing is at an early stage, the Company has decided to proceed with obtaining approval from Shareholders for the Demerger Dividend, which will be required in order for the Demerger and Listing to proceed.

I am writing to provide you with further information about the Demerger and certain related matters, to explain why the Board believes that the Demerger is in the best interests of Shareholders as a whole, and to invite you to participate in an Extraordinary General Meeting to be held at the offices of Skadden, Arps, Slate, Meagher & Flom (UK) LLP, 21st Floor, 40 Bank Street, London E14 5DS at 10:00 a.m. on Friday 5 November 2021 to pass a Shareholder resolution to approve the Demerger Dividend.

The Board unanimously recommends that you vote in favour of the Resolution to approve the Demerger Dividend at the Extraordinary General Meeting.

2. Aclara

Aclara is a development-stage rare earth mineral resources company with 451,585 hectares of mining concessions located in the Maule, Ñuble, Biobío and Araucanía regions of Chile. Aclara is initiating the development of its resources through a project called the Penco Module (the "**Penco Module**"), which covers a surface area of approximately 600 hectares and which has ionic clays that are rich in rare earth elements ("**REEs**"). Aclara is currently focused on the development and on the future construction and operation of the

Penco Module, which will aim to produce a rare earth concentrate through a processing plant that will be fed by clays from nearby deposits. In addition to the Penco Module, Aclara intends to conduct exploration activities in order to determine if there are deposits within its other mining concessions that can be developed economically and with an adequate environmental footprint.

Aclara was incorporated on 5 May 2021 to be the holding company of the Aclara Project and was formed for the purposes of the Aclara IPO.

Ionic clay deposits, such as the Penco Module, are rarely found outside of China. Ionic clay deposits are rich in heavy rare earth elements ("**HREEs**") and are a primary source of China's HREE production. HREEs within ionic clay deposits include dysprosium and terbium, which are very valuable REEs and are critical in the production of permanent magnets used in electric vehicles, wind turbines, military applications and various electronic devices.

Aclara believes that, compared to existing REE global exploration and development projects and operations, its ionic clay-hosted deposit will produce one of the highest value per kilogram rare earth oxides concentrate in the world.

Aclara's objective is to become a strategic non-China based supplier of the critical HREEs, dysprosium and terbium, as well as a supplier of the in-demand light rare earth metals, neodymium and praseodymium, all of which are required to manufacture the permanent magnets that Aclara believes are required to enable the widespread use of renewable energy technologies and the increased adoption of electric vehicles globally. Aclara's operations are expected to produce a basket of REEs with a value that is weighted towards the highest value HREEs, dysprosium and terbium, with approximately 54% of the basket value attributed to these two elements.

As at 30 June 2021, the gross asset value of Aclara was $38.2 million (book value). Aclara is still in a developmental phase and has not generated any revenue to date. Accordingly, Aclara has not contributed any amount towards the Group's profits.

3. The Demerger

3.1 *Background to, and reasons for, the Demerger*

The Group acquired 100% of the Aclara Project in 2019. Aclara is unique within the Group in that it focuses on rare earth mineral resources, whereas the primary focus of the Group's business is the exploration, mining, processing and sale of precious metals and, since its acquisition, Aclara has continued to be run as an independent business unit within the Group. Aclara's primary growth opportunities going forward are expected to be in expanding its rare earth business. The Demerger will result in two separately listed companies, each with its own distinct investment prospects.

The Directors believe that the Demerger will provide each of the Company and Aclara with a number of opportunities and benefits, including the following:

- ***Strategic focus on precious metals****:* although the Company has applied its expertise to identifying and developing a rare earth mineral deposit, the Directors believe that its strategic focus should remain on precious metals. In contrast, Aclara has a different strategic approach in order to succeed in the specialty rare earth industry and will be required to develop specific commercial capabilities and consider further integration down the permanent magnet value chain. Both are areas of expertise that the Company does not currently possess and, even if it were to develop such expertise, this would not necessarily enhance the Company's precious metals business in the future.
- ***Management focus****:* with the Company's management team focusing the majority of its time on precious metals deposits, an independent Aclara will benefit from a dedicated, standalone management team and board.
- ***Access to capital****:* the Company has a pipeline of precious metals opportunities with which Aclara currently competes for capital. At the same time, Aclara has an ambitious growth plan based on the development of several production modules and may eventually invest in building its own separation capabilities. Given the Company's likely future prioritisation of precious metal projects, a separately-listed Aclara will be in a significantly improved position to raise capital from investors who are keen to support a high-growth rare earth opportunity and may have a different approach than precious metals investors.

- ***Independent valuation****:* separating the Company's precious metals and rare earth portfolio will allow the market to value each business independently, potentially leading to a re-rating of either or both businesses.

It is, therefore, considered that the Demerger is in the best interests of Aclara, the Group and their related stakeholders.

The Directors believe that current and future Shareholders will benefit from the Company retaining a meaningful indirect stake in Aclara. Accordingly, immediately following the Demerger, HM Holdings (a wholly-owned subsidiary of the Company) will retain Aclara Shares representing 20% of the Aclara Shares. The Directors currently expect that, prior to the Aclara IPO, the Company would undertake not to sell or otherwise dispose of its indirect holding of such retained shares for at least one year following the completion of the Aclara IPO. The Directors believe that this conveys a strong message of the Company's support for Aclara and, through the Company's rights as a significant shareholder, will help ensure the establishment of a robust governance framework as Aclara transitions to being an independently listed company.

In addition, the Directors currently expect that, prior to the Aclara IPO, Pelham Investment Corporation (a company controlled by Eduardo Hochschild) ("**Pelham**") would undertake not to sell or otherwise dispose of its holding of Demerged Aclara Shares for at least one year following the completion of the Aclara IPO.

3.2 *Overview of the Demerger*

Assuming the conditions to the Demerger referred to below are satisfied, the Demerger will be effected by the Company distributing the Demerged Aclara Shares to Shareholders by way of the Demerger Dividend.

The Demerger is conditional upon: (a) the approval of the Directors; (b) the passing of the Resolution to be proposed as an ordinary resolution at the Extraordinary General Meeting; (c) the completion of the Aclara IPO on terms that are satisfactory to the Company and Aclara; (d) the Aclara Shares being conditionally approved for listing on the Toronto Stock Exchange ("**Listing**"); and (e) no other events or developments occurring or existing that, in the judgement of the Board, in its sole and absolute discretion, would make it inadvisable to effect the Demerger (each a "**Condition**", and together the "**Conditions**").

In connection with the Demerger, Aclara intends to conduct a concurrent IPO of Aclara Shares to raise additional funds to advance the exploration and development of the Penco Module, the exploration of potential new modules and for working capital and general corporate purposes. Aclara has applied to have the Aclara Shares listed on the Toronto Stock Exchange. Listing is subject to the approval of the Toronto Stock Exchange in accordance with its original listing requirements. If the Aclara IPO and Listing are successful, the entire issued share capital of Aclara will be listed on the Toronto Stock Exchange. After careful consideration by the Company, the Toronto Stock Exchange was selected as the most appropriate venue for listing Aclara due to the depth of the investor base for a business such as Aclara and the relative Canadian familiarity with assets in the Americas. The Company recognises that the mineral resources industry is a much larger proportion of the overall market in Canada and that Canadian investors have a history of taking a longer-term approach to mineral resources companies in the development phase where an asset may still be a few years from the commencement of production.

Notwithstanding that the Company is seeking the necessary Shareholder approval for the Demerger now, there can be no guarantee that the Demerger will be completed and that the Demerger Dividend will occur. As at the date of this document, the process relating to the Aclara IPO and Listing is at an early stage and so the Aclara IPO may or may not be completed, the Toronto Stock Exchange has not conditionally approved the listing application of Aclara and there is no assurance that it will do so. As the Demerger is conditional on (among other things) the Aclara IPO being completed on terms that are satisfactory to the Company and Aclara and Listing, and as the Board does not intend to declare the Demerger Dividend until it is clear that the Conditions will be satisfied, the Demerger and the Demerger Dividend, therefore, may or may not occur after Shareholder approval has been obtained. In particular, the Company is entitled to decide not to proceed with the Demerger at any time prior to completion of the Demerger if circumstances change such that the Board considers it would be inadvisable to effect the Demerger. In the event that the Demerger does not occur, Aclara will remain within the Group and continue to be operated as a subsidiary of the Company.

If the Demerger and the Demerger Dividend are not expected to occur, further announcements will be made to Shareholders through a Regulatory Information Service at the appropriate time.

Following Listing, the Aclara Shares will be permitted to trade on the Toronto Stock Exchange. No application is currently intended to be made for the Aclara Shares to be admitted to listing or dealing on any other exchange.

All the Aclara Shares will rank *pari passu* in all respects, will have no conversion or exchange rights attaching to them, and will have equal rights to participate in dividends, return of capital and distribution of assets in the event of a liquidation, dissolution or winding-up of Aclara. Each holder of an Aclara Share will be entitled to one vote in respect of each Aclara Share held at meetings of holders of Aclara Shares.

Following the Demerger, Shareholders will continue to hold Ordinary Shares in the Company and the Company will retain its premium listing on the Official List and will continue to be traded on the main market for listed securities of the London Stock Exchange.

3.3 *Effects of the Demerger on the Company*

The Demerger is expected to have minimal effect on the Company's operations. Aclara focuses on rare earth mineral resources, whereas the primary focus of the Group's business is the exploration, mining, processing and sale of precious metals and, since its acquisition, Aclara has continued to be run as an independent business unit within the Group. The Demerger is also expected to have a minimal impact on the Company's financial position, as Aclara is still in a developmental phase and has not generated any revenue to date.

3.4 *Demerger Dividend*

The Demerger Dividend will only take place if the Conditions are satisfied.

Subject to the necessary Shareholder approval being obtained and the other Conditions being satisfied, it is expected that the Demerger Dividend will be made shortly prior to Listing. The Directors believe that the Demerger is likely to become effective before the end of 2021. However, as the Demerger is subject to a number of conditions as detailed above, such date is only indicative and may change.

Value and Ratio of the Demerger Dividend

The value of the Demerger Dividend (the "**Value**") has not yet been determined, nor has the ratio of Demerged Aclara Shares to the number of shares in the Company, according to which each Shareholder's entitlement to the Demerger Dividend will be calculated (the "**Ratio**"). Closer to the time of the IPO and Listing of the Aclara Shares, the Directors will consider and subsequently determine the Value and Ratio, and will declare the Demerger Dividend shortly thereafter, with an announcement made to Shareholders via a Regulatory Information Service.

Although the Directors have not yet determined the Ratio, they have decided that, should any fractional entitlements arise in connection with the Demerger Dividend, no fractions of an Aclara Share will be distributed and all fractional entitlements will be rounded down to the nearest whole number. Any Shareholder who shall be entitled to one or more Demerged Aclara Shares and who would otherwise also be entitled to fractional entitlements will not be entitled to any payment or other compensation (whether cash or otherwise) in relation to their fractional entitlements.

Record Time of the Demerger Dividend

The Record Time (being the date and time at which Shareholders are required to be on the register of members of the Company in order to be entitled to the Demerger Dividend) will be determined by the Company in due course and announced to Shareholders through a Regulatory Information Service. Any Shareholders that have sold or transferred their Ordinary Shares prior to the Record Time will not be entitled to the Demerger Dividend and will not receive any Aclara Shares.

Depositary Interests

The Aclara Shares are Canadian securities and are, therefore, not capable of being settled directly in the United Kingdom through CREST like ordinary shares registered in the United Kingdom. Accordingly, Aclara has agreed to make arrangements to provide Shareholders whose shares in the Company are held in uncertificated form through CREST with Aclara Depositary Interests ("**Aclara DIs**"), which are instruments that represent the underlying Aclara Shares and allow settlement of trading in Aclara Shares through CREST. Shareholders whose shares in the Company are held in uncertificated form through CREST will, therefore, receive Aclara DIs.

Further details and an explanation of the business of the Extraordinary General Meeting are set out in Part II of this document.

Certificated UK Shareholders

Aclara has agreed to make arrangements for Shareholders who hold their shares in the Company in certificated form to receive direct registration advices which will reflect their ownership of Demerged Aclara Shares in book-entry form. Direct registration advices will be issued, by post, to such registered address of any entitled shareholder as appears on the Company's register of members at the Record Time.

4. The Group

The Company is a leading precious metals company, with a primary focus on the exploration, mining, processing and sale of silver and gold. The Company has over fifty years' experience in the mining of precious metal epithermal vein deposits and currently operates three underground epithermal vein mines, two located in southern Peru and one in southern Argentina. The Company also has numerous long-term projects throughout the Americas. Following the Demerger, the Company will continue to focus on its core precious metals business.

5. Relationship between the Company and Aclara post-Demerger

5.1 *Transitional Services Agreement*

The Company and Aclara will operate as separate companies following the Demerger. Prior to the Demerger, the Company will agree to provide (or procure that relevant members of the Group provide) certain transitional services to Aclara for 12 months following the implementation of the Demerger. The transitional services include:

Fixed services

- Accounting: consolidation of monthly financial statements under international financial reporting standards "IFRS" and assistance in the preparation of quarterly and annual financial statements reports and in the application of IFRS, annual auditing process, and quarterly reviews.
- Technical: project management support in the development of a pre-feasibility study, piloting tests, optimisation projects, and the feasibility study.
- IT: helpdesk support; implementation of administration systems, including ERP (enterprise resource planning) migration, contracts management, expense reports and fixed assets control; and software licenses.

Ad hoc services

- Legal: advice on corporate and commercial matters.
- Sustainability: advice on permitting processes and documents and support in relation to the management of environmental investments.
- Investor relations: support in the preparation of press releases and reports to the market and communications with analysts and investors.
- Internal auditing: implementation and monitoring of internal auditing processes and controls.
- Human resources: support in the design and implementation of personnel compensation and incentive plans, benefits and support in relation to the recruitment and selection of key personnel.

5.2 *Principal Shareholders of Aclara*

Following completion of the Aclara IPO, the Company and Pelham (a company controlled by Eduardo Hochschild) will be the principal shareholders in Aclara (each an "**Aclara Principal Shareholder**", and together the "**Aclara Principal Shareholders**"). The Company will not hold its stake in Aclara directly, but indirectly through its wholly owned subsidiary, HM Holdings.

Based on Pelham's current shareholding in the Company, immediately following the Demerger but prior to completion of the Aclara IPO, the Company and Pelham will beneficially own, control or direct, directly or indirectly, voting securities carrying 20% and 30.7%, respectively, of the voting rights attached to the Aclara Shares.

Pursuant to subscription agreements expected to be entered into with Aclara, each of the Aclara Principal Shareholders will: (i) agree to purchase from Aclara such number of Aclara Shares as would maintain its *pro*

rata holding in Aclara on completion of the Aclara IPO; and (ii) in the event of the exercise of any over-allotment option by the underwriters of the Aclara IPO, be entitled (but not obligated) to exercise an equivalent over-allotment option to subscribe for additional Aclara Shares so as to ensure its *pro rata* holding in Aclara is not diluted (the "**Private Placement**"). The Private Placement is expected to occur concurrently with, and shall be conditional upon, the completion of the Aclara IPO.

5.3 ***Investor Rights Agreements***

Each Aclara Principal Shareholder is expected to enter into an investor rights agreement with Aclara that will take effect upon the completion of the Aclara IPO and, *inter alia*, will grant such Aclara Principal Shareholder the following rights:

- Director nomination rights: each Aclara Principal Shareholder will be entitled to designate between one and four nominees for election to the board of Aclara, depending on the size of its holding of Aclara Shares;
- Pre-emption rights: subject to certain exceptions, upon a distribution or issuance of common shares or convertible securities in Aclara, or securities giving the right to acquire Aclara Shares, each Aclara Principal Shareholder will be entitled to participate in such distribution or issuance based on its *pro rata* holdings of Aclara Shares;
- Top-up rights: in the event of a conversion, exercise or exchange of any convertible securities in Aclara or any securities giving the right to acquire Aclara Shares, each Aclara Principal Shareholder will be entitled to subscribe for additional Aclara Shares to maintain its *pro rata* holding of Aclara Shares; and
- Registration rights: subject to certain exceptions, each Aclara Principal Shareholder will be entitled to require Aclara to: (i) include Aclara Shares held by such Aclara Principal Shareholder in a future public offering to be undertaken by Aclara by way of a prospectus filed in Canada; and (ii) (provided such Aclara Principal Shareholder holds sufficient Aclara Shares) use reasonable efforts to undertake such a public offering.

Each Aclara Principal Shareholder will only be permitted to exercise these rights if it holds at least 10% of the Aclara Shares then outstanding (on a non-diluted basis).

6. Board and senior management changes relating to the Demerger

Conditional upon the Demerger coming into effect, Sanjay Sarma will be stepping down as an Independent Non-Executive Director of the Company and will be appointed as an independent non-executive director of Aclara. At this stage, the effective date of Mr. Sarma's resignation is not yet known. Once Mr. Sarma's resignation comes into effect, the Company will make an announcement through a Regulatory Information Service.

Following the above change, the Board will comprise eight directors, five of whom will be independent non-executive directors. The Company is undertaking a search to appoint one or more additional independent non-executive directors to the Board of the Company.

In addition, and also subject to the Demerger coming into effect:

- Ramon Barua will be stepping down as the Chief Financial Officer of the Company to assume the role of director and the chief executive officer of Aclara;
- Eduardo Hochschild and Ignacio Bustamante will be appointed to the board of Aclara as chairman and director, respectively; and
- Eduardo Noriega, currently Head of Group Finance, will succeed Ramon Barua as the Chief Financial Officer of the Company. Mr Noriega joined the Company in March 2007. As Head of Group Finance, Mr Noriega was responsible for financial planning and controls, treasury, corporate finance, and tax and accounting. Before joining the Company, Mr Noriega worked for Dell Inc., Union de Cervecerías Peruana Backus & Johnston and Del Mar Fishing Company, in different finance roles. Mr Noriega is a graduate in Business Administration from Universidad del Pacifico and holds an MBA from the University of Texas.

7. Notice of Extraordinary General Meeting

Notice of an Extraordinary General Meeting of the Company, which will be held at the offices of Skadden, Arps, Slate, Meagher & Flom (UK) LLP, 21st Floor, 40 Bank Street, London E14 5DS at 10:00 a.m. on Friday 5 November 2021, is set out in Part IV of this document.

Shareholder approval is being sought in respect of the Resolution at the Extraordinary General Meeting. The Resolution is being proposed to approve the Demerger Dividend (as an *in specie* distribution requires such approval under the articles of association of the Company) and will also authorise the Directors to take all necessary actions to implement the Demerger and the Demerger Dividend.

The Resolution will be proposed as an ordinary resolution in accordance with the articles of association of the Company and requires the approval of a majority of the Shareholders voting in order to be passed.

A Shareholder is entitled to appoint a proxy to exercise all or any of his or its rights to attend and to speak and vote on his or its behalf at the Extraordinary General Meeting. Details of how to appoint a proxy for the Extraordinary General Meeting are set out in paragraph 8 below and in the Notice of Extraordinary General Meeting.

You are advised to read the whole of this document, including the Notice of Extraordinary General Meeting, and not to rely solely on the information contained in this letter.

8. Action to be taken

Whether or not you will be attending the Extraordinary General Meeting, I would urge you to appoint a proxy in accordance with the instructions below and ensure that such proxy is lodged and received by the Company's registrar, Link Group, as soon as possible and, in any event, by no later than 10:00 a.m. on Wednesday 3 November 2021.

A Shareholder can appoint a proxy by:

(a) logging on to www.signalshares.com and following the instructions;

(b) requesting a hardcopy form of proxy from the Company's registrar, Link Group, by:

  (i) sending a letter addressed to Link Group at 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL; or

  (ii) contacting Link Group on (+44 (0)) 371 664 0300 (calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9:00 a.m. and 5:30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that the helpline operators cannot provide advice on the merits of the Demerger or give any financial, legal or tax advice),

  and completing, signing and returning such hardcopy form of proxy in accordance with the instructions set out thereon; or

(c) in the case of CREST members, utilising the CREST electronic proxy appointment service in accordance with the procedures set out in note 6 of the Notice of Extraordinary General Meeting set out on pages 29 to 30 of this document,

in each case so that such proxy is received no later than 10:00 a.m. on Wednesday 3 November 2021.

If you are an institutional investor you may be able to appoint a proxy electronically via the Proxymity platform. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 10:00 a.m. on Wednesday 3 November 2021 in order to be considered valid.

Further details in relation to the appointment of proxies, including the CREST electronic proxy appointment service, are given in the notes to the Notice of Extraordinary General Meeting set out on pages 29 to 31 of this document.

Additional forms of proxy may be obtained by contacting Link Group on (+44 (0)) 371 664 0300 (calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9:00 a.m. and 5:30 p.m., Monday to Friday excluding public holidays in England and Wales). The helpline operators cannot provide advice on the merits of the Demerger or give any financial, legal or tax advice.

Appointing a proxy online, completing and returning a hardcopy form of proxy or appointing a proxy using the CREST electronic proxy appointment service will not preclude Shareholders from attending and voting in person at the Extraordinary General Meeting, should they so wish.

The attention of corporate Shareholders wishing to appoint more than one corporate representative is drawn to note 7 of the Notice of Extraordinary General Meeting set out on page 30 of this document.

Your attention is drawn to the fact that the Demerger is conditional on (among other conditions) the Resolution being passed by Shareholders at the Extraordinary General Meeting.

If you are in any doubt as to the action you should take, you are recommended to seek your own financial and/or legal advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under FSMA, if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

9. Non-UK Shareholders

The implications of the Demerger for Overseas Shareholders may be affected by the laws of the jurisdiction in which they are resident or otherwise located. Such Overseas Shareholders should inform themselves about and observe all applicable legal requirements.

It is the responsibility of any person into whose possession this document comes to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection with the Demerger Dividend and the Aclara Shares, including the obtaining of any governmental, exchange control or other consents which may be required and/or compliance with other necessary formalities which are required to be observed and the payment of any taxes or levies due in such jurisdiction.

10. Recommendation

The Board considers the Demerger and the Resolution to be in the best interests of the Company and its Shareholders as a whole.

Accordingly, the Board unanimously recommends that Shareholders vote in favour of the Resolution to be proposed at the Extraordinary General Meeting, as the Directors intend to do in respect of their own aggregate shareholdings of 198,163,171 Ordinary Shares, representing approximately 38.56% of the existing issued ordinary share capital of the Company.

Yours faithfully,

Eduardo Hochschild
Chairman

PART II—BUSINESS OF THE EXTRAORDINARY GENERAL MEETING

1. Demerger

1.1 *Background to, and reasons for, the Demerger*

The Company proposes to demerge shares representing 80% of the entire issued share capital of Aclara from the Group and to seek the listing of the Aclara Shares on the Toronto Stock Exchange. In connection with the Demerger, Aclara intends to conduct a concurrent IPO of Aclara Shares to raise additional funds to advance the exploration and development of the Penco Module, the exploration of potential new modules and for working capital and general corporate purposes. Aclara has applied to have the Aclara Shares listed on the Toronto Stock Exchange. Listing is subject to the approval of the Toronto Stock Exchange in accordance with its original listing requirements. The Toronto Stock Exchange has not conditionally approved Aclara's listing application and there is no assurance that the Toronto Stock Exchange will approve the listing application.

The Group acquired 100% of the Aclara Project in 2019. Aclara is unique within the Group in that it focuses on rare earth mineral resources, whereas the primary focus of the Group's business is the exploration, mining, processing and sale of precious metals and, since its acquisition, Aclara has continued to be run as an independent business unit within the Group. Aclara's primary growth opportunities going forward are expected to be in expanding its rare earth business. The Demerger will result in two separately listed companies, each with its own distinct investment prospects. The Directors believe that the Demerger will provide each of the Company and Aclara with a number of opportunities and benefits, as described in paragraph 3.1 of the letter from the Chairman of the Company set out in Part I of this document. It is, therefore, considered that the Demerger is in the best interests of Aclara, the Group and their related stakeholders.

The Directors believe that current and future Shareholders will benefit from the Company retaining a meaningful indirect stake in Aclara. Accordingly, immediately following the Demerger, HM Holdings (a wholly-owned subsidiary of the Company) will retain Aclara Shares representing 20% of the Aclara Shares. The Directors currently expect that, prior to the Aclara IPO, the Company would undertake not to sell or otherwise dispose of its indirect holding of such retained shares for at least one year following the completion of the Aclara IPO. The Directors believe that this conveys a strong message of the Company's support for Aclara and, through the Company's rights as a significant shareholder, will help ensure the establishment of a robust governance framework as Aclara transitions to being an independently listed company.

In addition, the Directors currently expect that, prior to the Aclara IPO, Pelham (a company controlled by Eduardo Hochschild) would undertake not to sell or otherwise dispose of its holding of Demerged Aclara Shares for at least one year following the completion of the Aclara IPO.

1.2 *Information on the post-Demerger position of the Company's business*

The Company is a leading precious metals company, with a primary focus on the exploration, mining, processing and sale of silver and gold. The Company has over fifty years' experience in the mining of precious metal epithermal vein deposits and currently operates three underground epithermal vein mines, two located in southern Peru and one in southern Argentina. The Company also has numerous long-term projects throughout the Americas. Following the Demerger, the Company will continue to focus on its core precious metals business.

The Demerger is expected to have minimal effect on the Company's operations. Aclara focuses on rare earth mineral resources, whereas the primary focus of the Group's business is the exploration, mining, processing and sale of precious metals and, since its acquisition, Aclara has continued to be run as an independent business unit within the Group. The Demerger is also expected to have a minimal impact on the Company's financial position, as Aclara is still in a developmental phase and has not generated any revenue to date.

1.3 *Information on the post-Demerger position of Aclara's business*

Aclara is a development-stage rare earth mineral resources company with 451,585 hectares of mining concessions located in the Maule, Ñuble, Biobío and Araucanía regions of Chile. Aclara is initiating the development of its resources through the Penco Module, which covers a surface area of approximately 600 hectares and which has ionic clays that are rich in REEs. Aclara is currently focused on the development and on the future construction and operation of the Penco Module, which will aim to produce a rare earth concentrate through a processing plant that will be fed by clays from nearby deposits. In addition to the Penco Module, Aclara intends to conduct exploration activities in order to determine if there are deposits within its other mining concessions that can be developed economically and with an adequate environmental footprint.

To date, Aclara has not generated any revenue as it is still at the development stage. The majority of activities undertaken by Aclara in the six months ended 30 June 2021 and the year ended 31 December 2020 were related to, among other things, engineering of the Penco Module, exploration, permitting, community relations and mine and process engineering.

Aclara's principal areas of focus for the twelve months following the Aclara IPO and beyond will include:

- identifying process optimisations for the Penco Module;
- completing a feasibility study on the Penco Module;
- engaging in brownfield exploration to potentially increase the life of the mine of the Penco Module; and
- engaging in greenfield exploration to explore potential new modules.

2. Board Structure of the Company and Aclara

2.1 *The Company*

The Directors of the Company as at the date of this document are set out at the beginning of Part I of this document.

2.2 *Aclara*

The board of directors of Aclara has a broad range of experience and expertise. Eduardo Hochschild is expected to be appointed as the Chairman of the board of directors of Aclara as at the date of the Demerger and Listing.

As at the date of the Demerger and Listing, the directors of Aclara are expected to be as set out below:

Name, Province or State and Country of Residence	Position/Title
Ramon Barua *Lima, Peru*	Director and Chief Executive Officer
Eduardo Hochschild *Lima, Peru*	Director, Chairman of the Board
Paul Adams *Florida, United States*	Director
Ignacio Bustamante *Lima, Peru*	Director
Catherine Farrow *Ontario, Canada*	Director
Karen Poniachik *Región Metropolitana de Santiago, Chile*	Director
Sanjay Sarma *Massachusetts, United States*	Director

Aclara also has an experienced management team with significant experience in the mineral resources industry. As at the date of the Demerger and Listing, the management team of Aclara is expected to comprise the following persons:

Name, Province or State and Country of Residence	Position/Title
Ramon Barua *Lima, Peru*	Chief Executive Officer
Rodrigo Ceballos *Región Metropolitana de Santiago, Chile*	President and General Manager
Francois Motte Sauter *Región Metropolitana de Santiago, Chile*	Chief Financial Officer
Barry Murphy *Ontario, Canada*	Chief Operating Officer
Mauricio Alvarez *Región Metropolitana de Santiago, Chile*	General Counsel
Sebastian Rojas *Región Metropolitana de Santiago, Chile*	Sustainability Manager

3. Ongoing relationship between the Company and Aclara

Transitional Services Agreement: Background

The Company and Aclara will operate as separate companies following the Demerger. Prior to the Demerger, the Company will enter into a transitional services agreement with Aclara (the "**Transitional Services Agreement**") under which the Company will agree to provide (or procure that relevant members of the Group provide) certain transitional services to Aclara for 12 months following the implementation of the Demerger. The services that will be provided under the Transitional Services Agreement include:

Fixed services

- Accounting: consolidation of monthly financial statements under international financial reporting standards "IFRS" and assistance in the preparation of quarterly and annual financial statements reports and in the application of IFRS, annual auditing process, and quarterly reviews.
- Technical: project management support in the development of a pre-feasibility study, piloting tests, optimisation projects, and the feasibility study.
- IT: helpdesk support; implementation of administration systems, including ERP (enterprise resource planning) migration, contracts management, expense reports and fixed assets control; and software licenses.

Ad hoc services

- Legal: advice on corporate and commercial matters.
- Sustainability: advice on permitting processes and documents and support in relation to the management of environmental investments.
- Investor relations: support in the preparation of press releases and reports to the market and communications with analysts and investors.
- Internal auditing: implementation and monitoring of internal auditing processes and controls.
- Human resources: support in the design and implementation of personnel compensation and incentive plans, benefits and support in relation to the recruitment and selection of key personnel.

Transitional Services Agreement: Overview of Terms

The Company will be bound to provide or procure the provision of the services to Aclara for the relevant term. The Company will be required to use its best endeavours to provide the services to the same standard to which they were provided during the 12-month period prior to the implementation of the Demerger.

Where Aclara identifies any service that was provided to it by the Group prior to the Demerger but which has been omitted from the service descriptions, it will have the right to require the Company to provide or procure the provision of the omitted service in the same manner and subject to the same terms as the services included in the descriptions.

Aclara will be obliged to pay fees for each service calculated in accordance with the terms of the Transitional Services Agreement. The fees will include charges from the Company for the services along with charges for certain IT security measures and any third-party costs associated with the provision of the services or the passing on of the benefit of group contracts. The total fees that will be payable under the Transitional Services Agreement are estimated at approximately $407,070.

Subject to certain conventional exceptions (e.g. in instances of fraud or personal injury caused by negligence) where both parties' liability is uncapped, the maximum liability of either party in relation to the Transitional Services Agreement will be capped at 100% of the fees paid in the relevant contract year.

Aclara will be permitted to terminate certain services on prior written notice. The Company will only be permitted to terminate the Transitional Services Agreement for unpaid service charges if the amount remaining unpaid after 30 days' written notice to pay the unpaid sums due exceeds $101,768. Either party will be permitted to terminate on written notice if the other party becomes insolvent or if the other party fails to remedy a material breach of the Transitional Services Agreement within 30 days of being given written notice of the breach.

The Company's continued shareholding in Aclara

Immediately following the Demerger, HM Holdings will continue to retain Aclara Shares representing 20% of the Aclara Shares.

Pursuant to a subscription agreement expected to be entered into with Aclara, the Company (either directly or indirectly through HM Holdings) will (i) agree to purchase from Aclara such number of Aclara Shares as would maintain its *pro rata* holding in Aclara on completion of the Aclara IPO; and (ii) in the event of the exercise of any over-allotment option by the underwriters of the Aclara IPO, be entitled (but not obligated) to exercise an equivalent over-allotment option to subscribe for additional Aclara Shares so as to ensure its *pro rata* holding in Aclara is not diluted. The Private Placement is expected to occur concurrently with, and shall be conditional upon, the completion of the Aclara IPO.

Investor Rights Agreement

The Company is expected to enter into an investor rights agreement with Aclara that will take effect upon the completion of the Aclara IPO and, *inter alia*, will grant the Company the following rights:

- Director nomination rights: the Company will be entitled to designate between one and four nominees for election to the board of Aclara, depending on the size of its holding of Aclara Shares;
- Pre-emption rights: subject to certain exceptions, upon a distribution or issuance of common shares or convertible securities in Aclara, or securities giving the right to acquire Aclara Shares, the Company will be entitled to participate in such distribution or issuance based on its *pro rata* holding of Aclara Shares;
- Top-up rights: in the event of a conversion, exercise or exchange of any convertible securities in Aclara or any securities giving the right to acquire Aclara Shares, the Company will be entitled to subscribe for additional Aclara Shares to maintain its *pro rata* holding of Aclara Shares; and
- Registration rights: subject to certain exceptions, the Company will be entitled to require Aclara to: (i) include Aclara Shares held by the Company in a future public offering to be undertaken by Aclara by way of a prospectus filed in Canada; and (ii) (provided the Company holds sufficient Aclara Shares) use reasonable efforts to undertake such a public offering.

The Company will only be permitted to exercise these rights if it holds at least 10% of the Aclara Shares then outstanding (on a non-diluted basis).

4. Listing of Aclara Shares

If the Aclara IPO and Listing are successful, the entire issued share capital of Aclara will be listed on the Toronto Stock Exchange. No application is currently intended to be made for the Aclara Shares to be admitted

to listing or dealing on any other exchange. Without limitation, the Aclara Shares will not be admitted to listing or trading in the United Kingdom.

There is no certainty as to the price of either the Aclara Shares or the Ordinary Shares following the Demerger and Listing. The price at which the Aclara Shares and the Ordinary Shares may be quoted, and the price which investors may realise for such shares, will be influenced by a large number of factors, some of which may be specific to either Aclara or the Group. In addition, the price at which Ordinary Shares may be quoted may be affected by the Demerger.

5. Aclara Shares

All the Aclara Shares will rank *pari passu* in all respects, will have no conversion or exchange rights attaching to them, and will have equal rights to participate in dividends, return of capital and distribution of assets in the event of a liquidation, dissolution or winding-up of Aclara. Each holder of an Aclara Share will be entitled to one vote in respect of each Aclara Share held at meetings of holders of Aclara Shares.

Following the completion of the IPO and Listing, the Aclara Shares can be held by holders in either registered form or non-registered (beneficial) form. A registered holder of Aclara Shares is a holder who holds Aclara Shares directly in his, her or its own name and is entered on the register of holders of Aclara Shares. A non-registered (or beneficial) holder of Aclara Shares is a holder of Aclara Shares who holds his, her or its Aclara Shares through an intermediary such as a bank, trust company, securities dealer or broker. The Aclara Shares issued pursuant to the IPO will be deposited with CDS via Computershare Investor Services Inc., in its capacity as transfer agent and registrar of the Aclara Shares (the "**Aclara Transfer Agent**"), in electronic form on the closing date through the non-certificated inventory system administered by CDS. In order to facilitate trading and settlement, any Aclara Shares traded over the facilities of the Toronto Stock Exchange following completion of the IPO and Listing must, at the time of the intended settlement of such trade, be held in non-registered (or beneficial) form within CDS. For information concerning the purchase and sale of Aclara Shares requiring the settlement of Aclara DIs in CREST, see "Aclara DIs" in paragraph 7 below.

6. Demerger Dividend

6.1 *Conditions to the Demerger Dividend*

Under the Company's articles of association, a dividend *in specie* is required to be approved by an ordinary resolution of the Shareholders. The Demerger and the Demerger Dividend are, therefore, conditional on the passing of the Resolution. In addition, the Demerger is conditional upon the other Conditions described in paragraph 3.2 of Part I of this document.

Assuming the Conditions are satisfied, the Demerger will be effected by the Company distributing the Demerged Aclara Shares to Shareholders by way of the Demerger Dividend.

Subject to the satisfaction of the Conditions, it is expected that the Demerger Dividend will be made shortly prior to Listing. The Directors believe that the Demerger is likely to become effective before the end of 2021. However, as the Demerger is subject to a number of conditions as detailed above, such date is only indicative and may change.

6.2 *Entitlement to participate in the Demerger*

The individual entitlements of Shareholders to receive the Demerger Dividend will be calculated by reference to their holdings of Ordinary Shares on the Company's register of members at the Record Time.

As noted in paragraph 3.4 of Part I of this document, neither the Value nor the Ratio has been determined. However, closer to the time of the IPO and Listing of the Aclara Shares, the Directors will consider and subsequently determine the Value and Ratio, and will declare the Demerger Dividend shortly thereafter, with an announcement made to Shareholders via a Regulatory Information Service.

Although the Directors have not yet determined the Ratio, they have decided that, should any fractional entitlements arise in connection with the Demerger Dividend, no fractions of an Aclara Share will be distributed and all fractional entitlements will be rounded down to the nearest whole number. Any Shareholder who shall be entitled to one or more Demerged Aclara Shares and who would otherwise also be entitled to fractional entitlements will not be entitled to any payment or other compensation (whether cash or otherwise) in relation to their fractional entitlements.

The Record Time (being the date and time at which Shareholders are required to be on the register of members of the Company in order to be entitled to the Demerger Dividend) will be determined by the Company in due

course and announced to Shareholders through a Regulatory Information Service. Any Shareholders that have sold or transferred their Ordinary Shares prior to the Record Time will not be entitled to the Demerger Dividend and will not receive any Aclara Shares.

The Demerger Dividend will constitute an *in specie* distribution of the Demerged Aclara Shares, and there will be no cash equivalent to the Demerger Dividend. However, Shareholders who receive Aclara Shares will be entitled (following receipt) to sell their Aclara Shares in the ordinary course. Any Shareholders who do not wish to hold their Aclara Shares should inform themselves of (and such Shareholders are responsible for complying with) any applicable securities laws and regulations or restrictions on transferring such shares and should contact their own broker. There can be no assurance as to whether there will be an active trading market in the Aclara Shares following Listing.

Notwithstanding that the Company is seeking the necessary Shareholder approval for the Demerger now, there can be no guarantee that the Demerger will be completed and that the Demerger Dividend will occur. As at the date of this document, the process relating to the Aclara IPO and Listing is at an early stage and so the Aclara IPO may or may not be completed, the Toronto Stock Exchange has not conditionally approved the listing application of Aclara and there is no assurance that it will do so. As the Demerger is conditional on (among other things) the Aclara IPO being completed on terms that are satisfactory to the Company and Aclara and Listing, and as the Board does not intend to declare the Demerger Dividend until it is clear that the Conditions will be satisfied, the Demerger and the Demerger Dividend, therefore, may or may not occur after Shareholder approval has been obtained. In particular, the Company is entitled to decide not to proceed with the Demerger at any time prior to completion of the Demerger if circumstances change such that the Board considers it would be inadvisable to effect the Demerger. In the event that the Demerger does not occur, Aclara will remain within the Group and continue to be operated as a subsidiary of the Company.

If the Demerger and the Demerger Dividend are not expected to occur, further announcements will be made to Shareholders through a Regulatory Information Service at the appropriate time.

7. Aclara DIs

7.1 *Overview of Aclara DI arrangements*

A Depositary Interest (or DI) enables the holder to hold and settle transfers of Aclara Shares in CREST. CREST is a paperless settlement system that allows securities to be evidenced otherwise than by a certificate and transferred from one person's CREST account to another electronically. Securities of issuers domiciled outside the United Kingdom and certain other jurisdictions, such as Aclara, cannot be held or settled directly in CREST, whilst Depositary Interests cannot be settled through CDS on the Toronto Stock Exchange. However, upon instruction from a holder of DIs to the UK Depositary (as defined below), the Aclara Shares represented through CREST in the form of Depositary Interests may be transferred into CDS.

Aclara, therefore, has entered into arrangements to enable investors to hold, and settle transfers of, Aclara Shares in CREST in the form of Aclara DIs. Each Aclara DI represents an entitlement to one underlying Aclara Share. Although the Aclara DIs will be independent securities constituted under English law, they will reflect the same economic rights as are attached to the Aclara Shares.

Aclara Shares distributed to Shareholders whose shares in the Company are held in uncertificated form through CREST will be registered in the name of Computershare Company Nominees Limited (the "**UK Depositary Nominee**"), which will hold those shares on behalf of Computershare Investor Services PLC, in its capacity as depositary for holders of Aclara DIs (the "**UK Depositary**"), on the shareholder register maintained by the Aclara Transfer Agent. The UK Depositary will issue and credit Aclara DIs to the entitled participants' CREST accounts against the receipt of underlying Aclara Shares by the UK Depositary Nominee. An Aclara DI register of CREST participants will be held in the United Kingdom showing full details of the registered Aclara DI holders in a similar fashion to the register of legal ownership of Aclara Shares. The Aclara DI register will be wholly uncertificated and Aclara DIs can only be held and transferred between CREST participants.

The Aclara DIs will be created and issued under a Deed Poll to be executed by the UK Depositary (the "**Deed Poll**"), which will govern the relationship between the UK Depositary and the holders of the Aclara DIs.

7.2 *Summary of the principal terms of the Deed Poll*

Under the Deed Poll, the UK Depositary Nominee (as custodian on behalf of the UK Depositary) will hold the underlying Aclara Shares on trust for all holders of Aclara DIs as tenants in common and will hold on trust and pass on to holders of the Aclara DIs any stock or cash benefits received by it as holder of the underlying Aclara Shares.

Holders of Aclara DIs will be able to exercise the rights attached to the Aclara Shares represented thereby and will be treated in the same way as registered Aclara shareholders in respect of all other rights attaching to the Aclara Shares, in each case, so far as possible in accordance with applicable CREST Regulations, CREST requirements and applicable law. Holders of Aclara DIs must give prompt instructions to the UK Depositary or its nominated custodian, in accordance with any voting arrangements made available to them, to vote in respect of the underlying Aclara Shares on their behalf or to take advantage of any arrangements enabling holders of Aclara DIs to vote in respect of such shares as a proxy of the UK Depositary of its custodian.

Following the issue of the Aclara DIs, holders will be able to cancel their Aclara DIs in CREST in order to hold their underlying Aclara Shares directly on the Canadian register (upon sending an instruction to CREST to that effect).

Holders of Aclara DIs will be required to warrant, among other things, that Aclara Shares issued or transferred to the UK Depositary (or a custodian on its behalf, such as the UK Depositary Nominee) after the Demerger will be free and clear of all third party security interests and that such transfers are not in contravention of Aclara's constitutional documents, or any contractual obligation binding on the holder or transferor, or any law or regulation or order binding on the holder or the transferor.

Subject to certain exceptions (including the fraud, negligence or wilful default of the UK Depositary), the UK Depositary, the UK Depositary Nominee and any custodian or agent appointed by them (and their respective officers, employees and agents) will be entitled to be indemnified against all liabilities incurred in the performance of their obligations under the Deed Poll and may make deductions from income or capital receipts which would otherwise be due to the Aclara DI holder and/or sell the underlying Aclara Shares and make such deductions from the proceeds of sale as may be required for this purpose or to meet any such liabilities of such Aclara DI holder.

The Deed Poll will permit the UK Depositary to charge Aclara DI holders fees and expenses and contains provisions excluding and limiting the UK Depositary's liability. The UK Depositary will not be liable for any acts or omissions of Aclara or any refusal or failure of the CREST operator.

The liability of the UK Depositary in respect of each holder of Aclara DIs will be limited to the lesser of: (a) the value of the Aclara Shares and other deposited property properly attributable to the Aclara DIs to which the liability relates; and (b) the proportion of £5,000,000 which corresponds to the portion of the amount the UK Depositary would otherwise be liable to pay to the Aclara DI holder relative to the UK Depositary's liability to all holders in respect of the same act, omission or event which gave rise to such liability or, if there are no such amounts, £5,000,000.

The UK Depositary will be able to terminate the Deed Poll by giving at least 30 days' notice to Aclara DI holders. During such notice period, holders of Aclara DIs may cancel their Aclara DIs and withdraw their deposited property and, if any Aclara DIs remain outstanding after termination, the UK Depositary must as soon as reasonably practicable, among other things, (i) deliver the deposited property in respect of the Aclara DIs to the relevant holder of the Aclara DIs or (ii) at its discretion, sell all or part of such deposited property, in which case it will as soon as reasonably practicable deliver the net proceeds of any such sale, after deducting sums due to the UK Depositary, together with any other cash held by it under the Deed Poll *pro rata* to the holders of Aclara DIs in respect of their Aclara DIs.

The Depositary and any custodian may hold, on behalf of holders of Aclara DIs, their money entitlements in client bank accounts outside the United Kingdom on a pooled basis, pending distribution, and such money may not be protected as effectively as money held in a bank account in the United Kingdom.

The UK Depositary will be able to amend the Deed Poll by giving 30 days' notice to holders of Aclara DIs.

The UK Depositary will be able to require any holder of Aclara DIs to provide information in relation to their holdings of Aclara DIs, including information as to the capacity in which the Aclara DIs are owned or held and the identity of any other person with any interest of any kind in such Aclara DIs or the underlying Aclara Shares, and holders are bound to provide such information requested.

The Deed Poll will be governed by English law. A copy of the Deed Poll will be available on request from the UK Depositary.

8. Direct Registration Statements

8.1 *Overview of the Direct Registration System*

The Direct Registration System allows Shareholders to hold their assets in electronic book-entry form directly with an issuer, rather than holding their securities in certificated form. Investors who are issued with direct registration advices will not receive a physical certificate. Upon any changes to their accounts (for example, in the event of a transfer), investors will receive direct registration statements from Aclara evidencing their holdings.

Investors who use the Direct Registration System still receive dividend payments, proxy materials and, should such investors opt in (using the relevant proxy form), annual reports from Aclara.

8.2 *Certificated UK Shareholders*

Shareholders who hold their shares in the Company in certificated form will receive, by post, direct registration advices or direct registration statements, which will reflect their ownership of Demerged Aclara Shares in book-entry form. They will not receive physical share certificates evidencing their ownership of Demerged Aclara Shares.

The use of direct registration advices and direct registration statements offers a number of advantages to issuing share certificates. For example, unlike share certificates, direct registration advices and direct registration statements cannot be lost or misplaced. Direct registration advices and direct registration statements are also not susceptible to the risks associated with processing physical securities, such as theft, forgery and the risk of certificates being lost.

9. Ownership of Ordinary Shares of the Company

9.1 *Directors and Senior Managers*

As at 18 October 2021 (being the latest practicable date prior to the date of this document), interests of the Directors and Senior Managers (which are beneficial unless otherwise stated) in the Ordinary Shares of the Company which:

(a) have been notified by each Director (or, in the case of Senior Managers, would have been, had they been Directors) to the Company; or

(b) are interests of a connected person (within the meaning of section 252 of the Companies Act 2006) of a Director or Senior Manager which would, if the connected person was a Director or Senior Manager, be required to be disclosed and the existence of which is known to or could with reasonable diligence be ascertained by the Director or Senior Manager,

are as follows:

	Number of Ordinary Shares	Percentage of issued Ordinary Shares
Director		
Eduardo Hochschild[(1)]	196,900,306	38.32%
Ignacio Bustamante	1,214,115	0.24%
Michael Rawlinson	—	—
Graham Birch	33,750	0.01%
Jorge Born Jr.	—	—
Jill Gardiner	—	—
Eileen Kamerick	—	—
Sanjay Sarma	15,000	0.0%
Dionisio Romero Paoletti	—	—
Senior Manager		
Ramón Barúa	204,798	0.04%
Isac Burstein	200,829	0.04%
Tom Elliott	—	—
Oscar Garcia	137,019	0.03%
Eduardo Landin	191,145	0.04%
Eduardo Villar	159,134	0.03%
José Augusto Palma	174,680	0.03%

Note:

(1) The shareholding of Eduardo Hochschild is held through Pelham Investment Corporation, a Cayman Islands company that is controlled by Mr. Hochschild.

9.2 *Major Shareholders*

As at 18 October 2021 (being the latest practicable date prior to publication of this document), the Company had been notified that no persons (other than the holders below) held directly or indirectly 3% or more of the Company's voting rights of the Company which are notifiable under the Disclosure Guidance and Transparency Rules. The Company's major Shareholders do not have any different voting rights to other Shareholders.

Name	Number of Ordinary Shares	Percentage of voting rights in respect of Ordinary Shares
Eduardo Hochschild[(1)]	196,900,306	38.32%
RWC Asset Management LP[(2)]	26,032,987	5.07%
BlackRock, Inc.	25,695,518	5.00%
Majedie Asset Management Limited[(3)]	25,384,745	4.94%
Van Eck Associates Corporation[(4)]	24,715,437	4.81%

Notes:

(1) The shareholding of Eduardo Hochschild is held through Pelham Investment Corporation, a Cayman Islands company that is controlled by Mr. Hochschild.

(2) The information disclosed is taken from the latest notification received by the Company from RWC Asset Management LP in February 2021.

(3) The information disclosed is taken from the latest notification received by the Company from Majedie Asset Management Limited in October 2018.

(4) The information disclosed is taken from the latest notification received by the Company from Van Eck Corporation in June 2018.

10. Extraordinary General Meeting

Notice of an Extraordinary General Meeting of the Company, which will be held at the offices of Skadden, Arps, Slate, Meagher & Flom (UK) LLP, 21st Floor, 40 Bank Street, London E14 5DS at 10:00 a.m. on Friday 5 November 2021, is set out in Part IV of this document.

Shareholder approval is being sought in respect of the Resolution at the Extraordinary General Meeting. The Resolution is being proposed to approve the Demerger Dividend (as an *in specie* distribution requires such approval under the articles of association of the Company) and will also authorise the Directors to take all necessary actions to implement the Demerger and the Demerger Dividend.

The Resolution will be proposed as an ordinary resolution in accordance with the articles of association of the Company, and requires the approval of a majority of the Shareholders voting in order to be passed.

The Resolution will be voted on at the Extraordinary General Meeting by poll and not by show of hands. A poll reflects the number of voting rights exercisable by each member and so the Board considers it a more democratic method of voting.

A Shareholder is entitled to appoint a proxy to exercise all or any of his or its rights to attend and to speak and vote on his or its behalf at the Extraordinary General Meeting. Details of how to appoint a proxy for the Extraordinary General Meeting are set out in paragraph 8 of the letter from the Chairman of the Company set out in Part I of this document and in the Notice of Extraordinary General Meeting.

COVID-19

The Company has taken a number of precautionary measures to help prevent the spread of COVID-19 at the Extraordinary General Meeting. As an alternative to attending the meeting in person, Shareholders are encouraged to complete and return a proxy to the Company's registrar in accordance with the instructions set out in paragraph 8 of Part I of this document and appoint the Chairman of the Extraordinary General Meeting as proxy.

Shareholders who wish to attend the Extraordinary General Meeting in person must register their intention to attend by contacting info@hocplc.com as soon as possible and, in any event, by no later than 10:00 a.m. on Wednesday 3 November 2021, so that appropriate arrangements may be made.

Information relating to any changes to the Extraordinary General Meeting as a result of COVID-19, including any changes made in response to government advice on travel and social distancing, will be communicated to Shareholders before the Extraordinary General Meeting through announcements via a Regulatory Information Service and the Company's website at http://www.hochschildmining.com/en/investors/shareholder_information/agm__egm_information. Further, for the safety of others, a Shareholder or proxy will only be permitted to

attend the Extraordinary General Meeting if he or she: (i) is not experiencing any of the symptoms connected with COVID-19; (ii) has not been advised to self-quarantine in line with government guidance; and (iii) either (a) has been fully vaccinated and can submit proof of his or her vaccination status either in the form of the NHS COVID Pass or in the form of a duly completed COVID-19 vaccination card, or (b) can provide evidence of a negative result of a lateral flow test (or nucleic acid test, LAMP test or other antigen test) taken no more than 48 hours prior to the Extraordinary General Meeting (or, in the case of any adjournment of the Extraordinary General Meeting, not later than 48 hours before the time fixed for the holding of the adjourned meeting).

11. UK Tax Considerations

The following paragraphs are intended only as a general guide to current UK law and HMRC current published practice (which may or may not be binding on HMRC), in each case, as at the latest practicable date before publication of this document, and both of which are subject to change at any time, possibly with retrospective effect. Furthermore, the following paragraphs are not exhaustive and relate only to certain limited aspects of the UK tax consequences of the Demerger.

The material set out in the paragraphs below does not constitute tax advice. Shareholders who are in any doubt about their tax position, or who are resident or otherwise subject to taxation in a jurisdiction outside the UK, should consult their own professional advisers immediately. In particular, Shareholders should be aware that the tax legislation of any jurisdiction where a Shareholder is resident or otherwise subject to taxation (as well as the jurisdiction discussed below) may have an impact on the tax consequences of an investment in the Ordinary Shares, including in respect of any income received from the Ordinary Shares, the Demerger or the receipt of the Aclara Shares under the Demerger.

Except where expressed otherwise, the paragraphs below are intended to apply only to Shareholders: (i) who are for UK tax purposes resident and, if individuals, domiciled in the UK; (ii) to whom split-year treatment does not apply; (iii) who are the absolute beneficial owners of their Ordinary Shares and any dividends paid in respect of them; and (iv) who hold their Ordinary Shares as investments (otherwise than through an individual savings account (ISA) or a pension arrangement) and not as securities to be realised in the course of a trade. The paragraphs below further assume that holders of Aclara DIs are the beneficial owners of the underlying Aclara Shares and any distributions in respect of the underlying Aclara Shares.

The paragraphs below may not apply to certain Shareholders, such as dealers in securities, broker dealers, insurance companies and collective investment schemes, pension schemes, persons who are otherwise exempt from UK taxation and persons who have (or are deemed to have) acquired their Ordinary Shares by virtue of an office or employment or persons who are treated as holding their Ordinary Shares as carried interest, except where expressed otherwise. Such Shareholders may be subject to special rules.

11.1 *Demerger*

For Shareholders who are resident in the UK for UK tax purposes (a "**UK Shareholder**"), the distribution of Demerged Aclara Shares as a part of the Demerger will be treated as a dividend. The value of the dividend will be equal to the market value on the date of the transfer of Demerged Aclara Shares to Shareholders of the Demerged Aclara Shares to which they are entitled.

*Impact on individual Shareholders within the charge to UK income tax (an "**Individual UK Shareholder**")*

All dividends received by an Individual UK Shareholder will, except to the extent that they are earned through an ISA, self-invested pension plan or other regime which exempts the dividends from tax, form part of the Individual UK Shareholder's total income for income tax purposes and will represent the highest part of that income.

A nil rate of income tax will apply to the first £2,000 of taxable dividend income received by an Individual UK Shareholder in a tax year (the "**Nil Rate Amount**"), regardless of what tax rate would otherwise apply to that dividend income. Any taxable dividend income received by an Individual UK Shareholder in a tax year in excess of the Nil Rate Amount will be taxed at a special rate, as set out below.

Where an Individual UK Shareholder's taxable dividend income for a tax year exceeds the Nil Rate Amount, the excess amount (the "**Relevant Dividend Income**") will be subject to income tax:

- at the rate of 7.5%, to the extent that the Relevant Dividend Income falls below the threshold for the higher rate of income tax;
- at the rate of 32.5%, to the extent that the Relevant Dividend Income falls above the threshold for the higher rate of income tax but below the threshold for the additional rate of income tax; and

- at the rate of 38.1%, to the extent that the Relevant Dividend Income falls above the threshold for the additional rate of income tax.

In determining whether and, if so, to what extent the Relevant Dividend Income falls above or below the threshold for the higher rate of income tax or, as the case may be, the additional rate of income tax, the Individual UK Shareholder's total taxable dividend income for the tax year in question (including the part within the Nil Rate Amount) will, as noted above, be treated as the highest part of the Individual UK Shareholder's total income for income tax purposes.

The UK Government recently announced that it plans to legislate in the next Finance Bill to increase the rates of dividend tax by 1.25% from April 2022. If implemented, this increase would mean Relevant Dividend Income is subject to income tax at rates of 8.75%, 33.75% or 39.35% (as applicable).

Impact on UK Shareholders within the charge to UK corporation tax

UK Shareholders within the charge to UK corporation tax which are 'small companies' for the purposes of UK taxation of dividends will not generally be subject to UK tax on the Demerger Dividend.

Other UK Shareholders within the charge to UK corporation tax will not be subject to tax on the Demerger Dividend so long as the Demerger Dividend falls within an exempt class and certain conditions are met and the UK Shareholder has not elected for dividends not to be exempt. For example, dividends paid on shares that (i) do not carry any present or future preferential right to dividends or to assets on a winding-up and (ii) are not redeemable, and dividends paid to a person holding less than 10% of the issued share capital of the payer (or any class of that share capital), are generally dividends that fall within an exempt class.

11.2 *UK tax implications of holding Aclara Shares or Aclara DIs after the Demerger: taxation of dividends*

Dividends payable on the Aclara Shares or Aclara DIs should be subject to UK income tax or UK corporation tax on income under the rules applicable to dividends. The current UK tax treatment of dividends is as outlined in the sections of paragraph 11.1 above headed "*Impact on individual Shareholders within the charge to UK income tax (an "**Individual UK Shareholder**")*" and "*Impact on UK Shareholders within the charge to UK corporation tax*".

Dividends payable on the Aclara Shares or Aclara DIs to UK Shareholders will generally be subject to Canadian withholding tax under the Canadian Income Tax Act at a rate of 25%, which rate is generally reduced to 15% under the 1978 Canada-United Kingdom Double Taxation Convention (the "**Convention**"), provided the UK Shareholder is the beneficial owner of the dividend and is fully entitled to the benefits under the Convention, and is further reduced to 5% if such UK Shareholder is a company which controls, directly or indirectly, at least 10% of the voting power in Aclara.

If a UK Shareholder receives a dividend on the Aclara Shares and the dividend is paid subject to Canadian withholding tax, credit for such Canadian withholding tax may be available for set-off against a liability to UK corporation tax or UK income tax on the dividend. The amount of such credit will normally be equal to the lesser of the amount withheld and the liability to UK tax on the dividend.

In relation to a dividend received from Aclara, the amount of the dividend within the charge to UK income tax will be equal to the dividend received and the Canadian withholding tax on such dividend.

11.3 *UK tax implications of selling Aclara Shares or Aclara DIs after the Demerger*

All UK Shareholders who receive Aclara Shares or Aclara DIs will have a base cost in the Aclara Shares or Aclara DIs equal to the market value of the Aclara Shares or Aclara DIs at the time of the transfer of Aclara Shares or issue of Aclara DIs to Shareholders.

A disposal of Aclara Shares or Aclara DIs by a UK Shareholder may, depending on the circumstances and subject to any available exemption or relief, give rise to a chargeable gain (or allowable loss).

For Individual UK Shareholders who make a chargeable gain, capital gains tax is charged at a rate of 10% or 20% depending on the Individual UK Shareholder's total taxable gains and income in a given year. However each individual has an annual exemption (£12,300 for the tax year 2021-2022) such that capital gains tax is only chargeable on gains arising from all sources during the tax year in excess of that figure.

For UK Shareholders within the charge to corporation tax who make a chargeable gain, corporation tax is charged on chargeable gains at the rate of corporation tax applicable to that UK Shareholder.

The transfer of Aclara Shares by the Company to the UK Depositary Nominee pursuant to the Aclara DI arrangements (described further in paragraph 7.1 of Part II of this document) should not be treated as a sale of the Aclara Shares by the relevant UK Shareholder provided that the UK Shareholder will remain the beneficial

owner of the Aclara Shares underlying the Aclara DIs. On that basis, there should be no UK capital gains tax or UK corporation tax payable on such transfers. Similarly, there should be no UK capital gains tax or UK corporation tax payable if a UK Shareholder decides to cancel their Aclara DIs in CREST in order to hold their underlying Aclara Shares directly on the Canadian register.

11.4 *UK stamp duty and stamp duty reserve tax*

No UK stamp duty should be payable in respect of the distribution of Demerged Aclara Shares to UK Shareholders as a result of the Demerger Dividend.

No UK stamp duty will be payable on a transfer of Aclara Shares held in certificated form if the instrument of transfer is executed and retained outside the UK and provided that such transfer does not relate to any property situated in the UK or to any other matter or thing done or to be done in the UK.

No UK stamp duty will be payable on a transfer of Aclara Shares by the Company to the UK Depositary Nominee pursuant to the Aclara DI arrangements (described further in paragraph 7.1 of Part II of this document) if the instrument of transfer is executed and retained outside the UK and provided that such transfer does not relate to any property situated in the UK or to any other matter or thing done or to be done in the UK.

No UK stamp duty reserve tax should be payable in respect of the distribution of the Demerged Aclara Shares, or any transfer of, or agreement to transfer, Aclara Shares provided certain conditions are met; in particular, there must be no register of Aclara Shares maintained in the UK.

No UK stamp duty reserve tax should be payable on a transfer of Aclara DIs held in CREST provided certain conditions are met; in particular, there must be no register of the Aclara Shares maintained in the UK, Aclara must not be incorporated or tax resident in the UK and the Aclara Shares must be listed on a recognised stock exchange. The Toronto Stock Exchange is currently a recognised stock exchange for these purposes.

The discussion above is a general summary. It is not tax advice intended for reliance purposes. It does not cover all tax matters that may be of importance to a particular Shareholder. Each Shareholder is urged to consult its own tax adviser about the tax consequences to it of the Demerger, the receipt of Aclara Shares under the Demerger, and the ownership and disposition of the Aclara Shares in light of the Shareholder's own circumstances.

12. Non-UK Shareholders

The implications of the Demerger for Overseas Shareholders may be affected by the laws of the jurisdiction in which they are resident or otherwise located. Such Overseas Shareholders should inform themselves about and observe all applicable legal requirements.

Overseas Shareholders should consult their professional advisers to ascertain whether the Demerger or holding of the Aclara Shares following the Demerger Dividend will be subject to any restrictions or require compliance with any formalities imposed by the laws or regulations of, or any body or authority located in, the jurisdiction in which they are resident or to which they are subject. In particular, it is the responsibility of any person into whose possession this document comes to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection with the Demerger Dividend and the Aclara Shares, including the obtaining of any governmental, exchange control or other consents which may be required and/or compliance with other necessary formalities which are required to be observed and the payment of any taxes or levies due in such jurisdiction.

The distribution of this document in certain jurisdictions may be restricted by law. Persons into whose possession this document comes should inform themselves about and observe any such restrictions. Neither this document nor any other document issued or to be issued by or on behalf of the Company in connection with the Demerger, constitutes an invitation, offer or other action on the part of the Company in any jurisdiction in which such invitation, offer or other action is unlawful.

Prior to completion of the Demerger, Aclara intends to file a long form prospectus with the securities regulatory authorities in each of the provinces and territories of Canada (excluding Quebec) in order to qualify the distribution of the Aclara Shares issuable pursuant to the Demerger such that, following completion of the Demerger, all of the Aclara Shares issuable pursuant to the Demerger shall be freely tradeable in Canada and over the facilities of the Toronto Stock Exchange under applicable Canadian securities laws.

This document is not an offer or solicitation to purchase or invest in any securities of the Company or Aclara. It is not a prospectus within the meaning of the FinSA, or within the meaning of any securities laws or regulations of Switzerland. Neither this document nor any other offering or marketing material relating to the Ordinary Shares or the Aclara Shares has been or will be filed with or approved by any Swiss regulatory authority.

PART III—DEFINITIONS

The following definitions apply throughout this document unless the context otherwise requires:

"**Aclara**" means Aclara Resources Inc., a corporation incorporated under the laws of the Province of British Columbia, Canada and whose registered office is at 666 Burrard St., Suite 1700, Vancouver, British Columbia, Canada V6C 2X8;

"**Aclara Depositary Interests**" or "**Aclara DIs**" means the Aclara depositary interests constituted by the Deed Poll, each such Aclara DI representing one Aclara Share, as described in paragraph 7 of Part II of this document;

"**Aclara IPO**" means the proposed IPO of Aclara Shares which would result in the entire issued share capital of Aclara being listed on the Toronto Stock Exchange;

"**Aclara Principal Shareholders**" means the Company and Pelham, and "**Aclara Principal Shareholder**" means any one of them;

"**Aclara Project**" means the Aclara ionic clay rare earth deposit in Chile (formerly known as Biolantanidos);

"**Aclara Shares**" means common shares in the capital of Aclara;

"**Aclara Transfer Agent**" means Computershare Investor Services Inc., in its capacity as transfer agent and registrar of the Aclara Shares;

"**Board**" means the board of Directors of the Company;

"**CDS**" means CDS Clearing and Depositary Services Inc.;

"**Circular**" or "**this document**" means this Shareholder circular dated Tuesday 19 October 2021;

"**Company**" means Hochschild Mining PLC, a public limited company incorporated in England and Wales with company number 05777693 and whose registered office is at 17 Cavendish Square, London W1G 0PH, England;

"**Conditions**" means each of the conditions set out in paragraph 3.2 of Part I of this document;

"**Convention**" means the 1978 Canada-United Kingdom Double Taxation Convention;

"**COVID-19**" means the infectious disease caused by the SARS-CoV-2 virus;

"**CREST**" means the UK-based system for the paperless settlement of trades in listed securities, of which Euroclear UK & Ireland Limited is the operator;

"**CREST Proxy Instruction**" means an appropriate CREST message for the appointment of a proxy;

"**CREST Regulations**" means the Uncertificated Securities Regulations 2001 (SI 2001/3755), as amended;

"**Deed Poll**" means the Deed Poll to be executed by the UK Depositary, constituting the Aclara DIs, as described in paragraph 7 of Part II of this document, a copy of which will be available from the UK Depositary;

"**Demerger**" means the proposed demerger of shares representing 80% of the entire issued share capital of Aclara from the Group to be effected through the Demerger Dividend;

"**Demerged Aclara Shares**" means Aclara Shares representing 80% of the entire issued share capital of Aclara immediately prior to the Demerger Dividend, being the aggregate number of Aclara Shares to be distributed to Shareholders pursuant to the Demerger Dividend;

"**Demerger Dividend**" means the distribution *in specie* of the Demerged Aclara Shares by the Company to Shareholders;

"**Directors**" means the directors of the Company;

"**Direct Registration System**" means the direct registration service offered by the Aclara Transfer Agent that provides registered shareholders of an issuer with the ability to hold their shares in the issuer in book-entry form, instead of in the form of physical share certificates;

"**Extraordinary General Meeting**" means the general meeting of the Company to be held at the offices of Skadden, Arps, Slate, Meagher & Flom (UK) LLP, 21st Floor, 40 Bank Street, London E14 5DS at 10:00 a.m. on Friday 5 November 2021 (or any adjournment thereof), notice of which is set out in Part IV of this document;

"**FCA**" means the Financial Conduct Authority of the United Kingdom;

"**FinSA**" means the Swiss Financial Services Act;

"**FSMA**" means the Financial Services and Markets Act 2000, as amended;

"**Group**" means the Company and each of its subsidiaries and subsidiary undertakings from time to time;

"**HM Holdings**" means Hochschild Mining Holdings Limited, a private limited company incorporated in England and Wales with company number 05777700 and whose registered office is at 17 Cavendish Square, London W1G 0PH, England;

"**HMRC**" means Her Majesty's Revenue & Customs;

"**HREEs**" means heavy rare earth elements;

"**IPO**" means an initial public offering;

"**Listing**" means the listing of the Aclara Shares on the Toronto Stock Exchange in accordance with original listing requirements of the Toronto Stock Exchange and the commencement of trading in the Aclara Shares thereon;

"**London Stock Exchange**" means London Stock Exchange plc;

"**NHS COVID Pass**" means the pass developed by the National Health Service to share an individual's vaccination records or test COVID-19 status, details of which are set out at https://www.gov.uk/guidance/nhs-covid-pass;

"**Notice of Extraordinary General Meeting**" means the Notice of Extraordinary General Meeting, details of which are set out in Part IV of this document;

"**Official List**" means the official list of the FCA;

"**Ordinary Shares**" means the ordinary shares of 25 pence each in the capital of the Company;

"**Overseas Shareholder**" means a Shareholder with a registered address outside the UK or who is a citizen or resident of a country that is not the UK;

"**Pelham**" means Pelham Investment Corporation, a Cayman Islands company that is wholly owned by Mr. Eduardo Hochschild and through which he holds his interest in the Company and will hold his interest in Aclara Shares;

"**PRA**" means the Prudential Regulation Authority of the United Kingdom;

"**Private Placement**" means the purchase by each of the Aclara Principal Shareholders of Aclara Shares from Aclara pursuant to subscription agreements expected to be entered into with Aclara;

"**Ratio**" means the ratio of Demerged Aclara Shares to the number of shares in the Company, according to which each Shareholder's entitlement to the Demerged Dividend will be calculated;

"**Record Time**" means the time at which Shareholders are required to be on the register of members of the Company in order to be entitled to the Demerger Dividend and by reference to which the Demerger Dividend is to be effected, being such time as the Company may determine and which time will be announced to Shareholders through a Regulatory Information Service;

"**REEs**" means rare earth elements;

"**Regulatory Information Service**" means any of the services authorised by the FCA from time to time for the purpose of disseminating regulatory announcements;

"**Resolution**" means the ordinary resolution as set out in the Notice of Extraordinary General Meeting;

"**Shareholder**" means a holder of Ordinary Shares;

"**Transitional Services Agreement**" means the transitional services agreement to be entered into by the Company and Aclara prior to the Demerger under which the Company will agree to provide (or procure that relevant members of the Group provide) certain transitional services to Aclara for 12 months following the implementation of the Demerger;

"**UK Depositary**" means Computershare Investor Services PLC, in its capacity as depositary for holders of Aclara DIs;

"**UK Depositary Nominee**" means Computershare Company Nominees Limited, in its capacity as custodian for the UK Depositary;

"**United Kingdom**" or "**UK**" means the United Kingdom of Great Britain and Northern Ireland;

"**United States**" or "**US**" means the United States of America, its territories and possession, any state of the United States of America and the District of Columbia; and

"**Value**" means the value of the Demerger Dividend.

Hochschild Mining PLC

Notice is hereby given that an extraordinary general meeting of Hochschild Mining PLC will be held at the offices of Skadden, Arps, Slate, Meagher & Flom (UK) LLP, 21st Floor, 40 Bank Street, London E14 5DS at 10:00 a.m. on Friday 5 November 2021 to consider and, if thought fit, pass the following resolution (the "**Resolution**") as an Ordinary Resolution of the Company (requiring a simple majority). Voting on the Resolution will be by way of poll.

ORDINARY RESOLUTION

Resolution—Demerger by way of dividend in specie

THAT:

1. upon the recommendation, and conditional upon the approval, of the directors of the Company, and subject to such further conditions as the Company may in its absolute discretion determine, and shortly prior to the common shares of Aclara Resources Inc. ("**Aclara**") (an indirect wholly owned subsidiary of the Company) (each an "**Aclara Share**" and together the "**Aclara Shares**") being listed on the Toronto Stock Exchange ("**Listing**"), in connection with the proposed demerger of Aclara and its business from the Company (the "**Demerger**"), a distribution *in specie* of shares representing (prior to such distribution) 80% of the entire issued share capital of Aclara be and is hereby declared payable to holders ("**Shareholders**") of ordinary shares of the Company (the "**Ordinary Shares**" and each an "**Ordinary Share**") who are registered as such on the Company's register of members at a time and date to be determined by the Company and notified to Shareholders in due course, effective shortly prior to Listing and credited as fully paid, in such proportion as is determined by the directors of the Company and subsequently notified to Shareholders (the "**Demerger Dividend**") (on condition that fractions of an Aclara Share will not be distributed and all fractional entitlements will be rounded down to the nearest whole number, and any Shareholder who shall be entitled to one or more Aclara Shares and who would otherwise also be entitled to fractional entitlements will not be entitled to any payment or other compensation (whether cash or otherwise) in relation to their fractional entitlements); and
2. each and any of the directors of the Company be and is hereby authorised to conclude and implement the Demerger Dividend or the Demerger and to do or procure to be done all such acts and things on behalf of the Company and any of its subsidiaries as he or she considers necessary or expedient for the purpose of giving effect to the Demerger Dividend or Demerger, with such amendments, modifications, variations or revisions as are not of a material nature.

BY ORDER OF THE BOARD

Raj Bhasin
COMPANY SECRETARY

19 October 2021

Registered Office:

17 Cavendish Square
London W1G 0PH
England

Registered in England and Wales with company number 05777693

NOTES:

1 A member is entitled to appoint another person as his or her proxy to exercise all or any of his rights to attend and to speak and vote on his or her behalf at the Extraordinary General Meeting. A proxy need not be a member of the Company. A member may appoint more than one proxy in relation to the Extraordinary General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member.

2 The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with section 146 of the Companies Act 2006 ("**Nominated Persons**"). Nominated Persons may have a right under an agreement with the member who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if Nominated Persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights. Nominated Persons should contact the registered member by whom they were nominated in respect of such arrangements.

3 A member can appoint a proxy (a "**Proxy Vote**"):

- by logging on to www.signalshares.com and following the instructions;
- requesting a hardcopy form of proxy from the Company's registrar, Link Group, by:

(i) sending a letter addressed to Link Group at 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL; or

(ii) contacting Link Group on (+44 (0)) 371 664 0300 (calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9:00 a.m. and 5:30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that the helpline operators cannot provide advice on the merits of the Demerger or give any financial, legal or tax advice),

and completing, signing and returning such hardcopy form of proxy in accordance with the instructions set out thereon; or

- in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out in note 6 below.

In order for a proxy appointment to be valid, a form of proxy must be completed in accordance with one of the above methods. In each case, the form of proxy and any power of attorney or other authority under which it is signed (or a duly certified copy of any such authority) must be received by Link Group at 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL by 10:00 a.m. on Wednesday 3 November 2021, or if the Extraordinary General Meeting is adjourned, not less than 48 hours before the time of the holding of such adjourned Extraordinary General Meeting.

If you are an institutional investor you may be able to appoint a proxy electronically via the Proxymity platform. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 10:00 a.m. on Wednesday 3 November 2021 in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.

4 Completion and return of a Proxy Vote does not prevent a member from subsequently attending the Extraordinary General Meeting and voting in person.

5 Pursuant to regulation 41(1) of the Uncertificated Securities Regulations 2001 (2001 No. 2755), the Company specifies that only those shareholders registered on the register of members of the Company at 6:30 p.m. on Wednesday 3 November 2021 or, in the event of an adjournment, at 6:30 p.m. on the date which is 48 hours before the day of the adjourned meeting, shall be entitled to attend and vote at the Extraordinary General Meeting in respect of the number of Ordinary Shares registered in their name at that time. Changes to the register of members after close of business on Wednesday 3 November 2021 shall be disregarded in determining the rights of any person to attend or vote at the Extraordinary General Meeting.

6 CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Extraordinary General Meeting and any adjournment(s) thereof by

utilising the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for those instructions, as described in the CREST Manual (available via www.euroclear.com/CREST). The message must, in order to be valid (regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy) be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time for receipt of proxy. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to a proxy appointed through CREST should be communicated to him or her by other means. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

7 Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

8 Members wishing to appoint more than one proxy can request additional forms of proxy by contacting Link Group on (+44 (0)) 371 664 0300 (calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9:00 a.m. and 5:30 p.m., Monday to Friday excluding public holidays in England and Wales). The helpline operators cannot provide advice on the merits of the Demerger or give any financial, legal or tax advice.

9 To change a proxy instruction, a member needs to submit a new Proxy Vote using the methods set out in the above Notes. Note that the deadline for receipt of Proxy Votes (10:00 a.m. on Wednesday 3 November 2021) also applies in relation to amended instructions and any amended proxy appointment received after the relevant deadline will be disregarded. Where a member has appointed a proxy using a hardcopy form of proxy and would like to change the instructions using another such form, that member should contact the Company's registrars, Link Group, on (+44 (0)) 371 664 0300 (calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9:00 a.m. and 5:30 p.m., Monday to Friday excluding public holidays in England and Wales). If more than one valid proxy appointment is submitted, the appointment received last before the deadline for the receipt of proxies will take precedence.

10 In the event that a member is a joint holder and the joint holder purports to appoint a proxy, only the appointment submitted by the member whose name appears first on the register of members will be accepted.

11 The total number of Ordinary Shares in issue as at 18 October 2021 (being the latest practicable date prior to the publication of this document), was 513,875,563 Ordinary Shares carrying one vote each. There were no shares held in treasury. The total number of voting rights in the Company as at this date was, therefore, 513,875,563.

12 Any member attending the Extraordinary General Meeting has the right to ask questions. It would be helpful if members could state their name before asking a question. The Company must cause to be answered any question relating to the business to be dealt with at the Extraordinary General Meeting put by a member attending the Extraordinary General Meeting. However, members should note that no answer need be given in the following circumstances: (i) if to do so would interfere unduly with the preparation of the Extraordinary General Meeting or would involve a disclosure of confidential information; (ii) if the

answer has already been given on a website in the form of an answer to a question; and/or (iii) if it is undesirable, in the interests of the Company or the good order of the Extraordinary General Meeting, that the question be answered.

13 Members may not use any electronic address provided in this notice (or in the accompanying circular of which this Notice forms part or any related documents including the Chairman's letter) to communicate with the Company for any purposes other than those expressly stated.

14 A copy of this notice, and other information required by Section 311A of the Companies Act 2006, can be found at: www.hochschildmining.com.

15 The Resolution will be voted on by poll and not by show of hands. A poll reflects the number of voting rights exercisable by each member and so the Board considers it a more democratic method of voting. Members and proxies will be asked to complete a poll card to indicate how they wish to cast their votes. The results of the poll will be published on the Company's website and notified to the UK Listing Authority once the votes have been counted and verified.

16 The Extraordinary General Meeting will be held at the offices of Skadden, Arps, Slate, Meagher & Flom (UK) LLP, 21st Floor, 40 Bank Street, London E14 5DS at 10:00 a.m. on Friday 5 November 2021.

17 COVID-19: The Company has taken a number of precautionary measures to help prevent the spread of COVID-19 at the Extraordinary General Meeting. As an alternative to attending the meeting in person, Shareholders are encouraged to complete and return a hardcopy form of proxy to the Company's registrar, or to submit their proxies online.

18 Shareholders who wish to attend the Extraordinary General Meeting in person must register their intention to attend by contacting info@hocplc.com as soon as possible, and, in any event, by no later than 10:00 a.m. on Wednesday 3 November 2021, so that appropriate arrangements may be made.

19 Information relating to any changes to the Extraordinary General Meeting as a result of COVID-19, including any changes made in response to government advice on travel and social distancing, will be communicated to Shareholders before the Extraordinary General Meeting through the Company's website at http://www.hochschildmining.com/en/investors/shareholder_information/agm__egm_information. Further, for the safety of others, a Shareholder or proxy will only be permitted to attend the Extraordinary General Meeting if he or she: (i) is not experiencing any of the symptoms connected with COVID-19; (ii) has not been advised to self-quarantine in line with government guidance; and (iii) either (a) has been fully vaccinated and can submit proof of his or her vaccination status either in the form of the NHS COVID Pass or in the form of a duly completed COVID-19 vaccination card, or (b) can provide evidence of a negative result of a lateral flow test (or nucleic acid test, LAMP test or other antigen test) taken no more than 48 hours prior to the Extraordinary General Meeting (or, in the case of any adjournment of the Extraordinary General Meeting, not later than 48 hours before the time fixed for the holding of the adjourned meeting).

Toppan Merrill, London
21-29403-1